

This year's Legislative Session will be dominated by budget issues, as is already obvious to most observers.

My Administration, while focused on this critical legislative session, will continue to pursue job creation and economic development as top priority. We also will not lose sight of certain public safety issues, such as the need to further tighten our laws to reduce access to the precursor drugs used to make methamphetamine.

Mississippi's current fiscal problems are the direct result of the global recession, but I believe we can create higher skilled, better paying jobs here even as this recession winds down. In fact, Mississippi can emerge faster and stronger than most of our sister states.

This year, I will focus most of my efforts on job creation, and the Legislature will be asked to partner with us from Day One. I'm confident the Legislature is just as interested in job creation and I expect full cooperation between both branches from the first week of the Session.

The Legislative Budget Committee made plain in its budget recommendation that state spending for Fiscal Year 2011, the budget year for which this Legislature will pass a budget, cannot be business as usual. Although there are differences between my Executive Budget Recommendation (EBR) and the Legislative Budget Recommendation (LBR), both call for major savings to accomplish a balanced budget with no tax increases.

I don't mean to minimize the differences, as there are some, a few of which are significant . . . even critical; but both budgets call for large spending cuts, even in priority areas such as education and public safety. Nobody likes such cuts, but the bi-partisan, bicameral leadership has joined the Governor in recognizing we must live within our means. Tax increases would be irresponsible during a deep recession, so no area of spending can be off limits. The required savings are too great, and next year will be even greater.

My budget recommendation includes many more specific proposals for achieving savings than the LBR. Traditionally, the legislative proposal only contains numbers setting department and agency spending; it does not spell out how to achieve the savings.

This is why I wasn't concerned when the LBR didn't contain my specific ideas on how to achieve savings, such as: school district consolidation, mergers of universities, closure of some mental health facilities, administrative cost reductions through shared services, or cost containment in health programs. Such details are left for the full Legislature to work out during the Session.

I have put forward serious proposals to make the savings required in FY 2011 and 2012, but I am sincere when I say I will gladly consider other ways to achieve those savings. I expect to receive some good ideas.

What I cannot agree to are tax increases (including job-destroying fee increases that are simply disguised tax increases), hidden deficits based on low-balled spending estimates or excessive use of the Rainy Day Fund, which must last at least three more years. (Hence my commitment to using only one-third of its balance for FY 2011.)

In short, we must have an honestly balanced budget, achieved by spending cuts, not tax increases or raids on special funds to create non-recurring revenue. I'm determined not to leave my successor the fiscal mess that existed when I got here.

A critical way to achieve savings, while actually improving effectiveness, is to give department and agency heads maximum flexibility to streamline and right size their operations. It makes no sense for the Legislature to decide how many people work at every state agency, especially when we have good managers on the job.

We must continue to deal with the health care costs borne by state taxpayers, especially in light of the federal health care bill that will cost Mississippi \$150 million-200 million a year, if it goes into effect. This year we have to battle to keep the cost of the state employees health insurance program within our means.

Another major challenge will be the affordability of and appropriate adjustments to the state employee retirement program, PERS. With its very generous benefits, funding is immensely out of balance as to the beneficiaries share and that of taxpayers.

It will be an extremely challenging session, but I sense a realistic and determined attitude between both branches of government to get the job done.

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My Administration, while focused on this critical legislative session, will pursue job creation and economic development as our top priority. Our current fiscal problems are the direct result of the global recession to which Mississippi is not immune, but I believe we can create higher skilled, better paying jobs even as this recession winds down. In fact, Mississippi can emerge from this recession faster and stronger than most of our sister states. I will give most of my efforts to job creation; and the Legislature will be asked to partner with us from Day One. I'm confident the Legislature is just as interested in job creation, and I expect full cooperation between both branches from the first week of the Session.

The Legislative Budget Committee made plain in its budget recommendation that state spending for Fiscal Year 2011, the budget year for which this Legislature will pass a budget, cannot be business as usual. Although there are differences between my Executive Budget Recommendation and the Legislative Budget Recommendation, both call for major savings to accomplish a balanced budget with no tax increases.

I don't mean to minimize differences, as there are some, a few of which are significant . . . even critical. But both budgets call for large spending cuts, even in priority areas such as education and public safety. Nobody likes such cuts, but the bi-partisan, bicameral leadership has joined the Governor in saying, "We must live within our means. Tax increases would be irresponsible during a deep recession, so no area of spending can be off limits. The required savings are too great, and next year will be even worse."

My budget recommendation includes many more special proposals for achieving the savings that the Legislative Budget Recommendation. Traditionally, the legislative proposal only contains numbers setting department and agency spending; it does spell out how to achieve the savings. That is left for the full Legislature to work out during the Session.

This is why I wasn't concerned when the legislative budget didn't contain my specific ideas on how to achieve savings, such as: school district consolidation, mergers of universities, closure of some mental health facilities, administrative cost reductions through shared services or cost containment in Medicaid. As the Session proceeds, we will have to work together to determine how to make the savings required by the

legislative budget as well as mine or the inevitable compromise spending levels to which we agree.

I have put forward serious proposals to make the savings required in FY 2011 and 2012, but I am sincere when I say I will gladly consider other ways to achieve those savings. I expect to receive some good ideas.

What I cannot agree to are tax increases (including job-creating fee increases that are simply disguised tax increases), hidden deficits based on low-balled spending estimates or excessive use of the Rainy Day Fund, which must last at least three more years. (Hence my commitment to using only one-third of its balance for FY 2011.)

In short, we must have an honestly balanced budget, achieved by spending cuts, not tax increases or raids on funds to create non-recurring revenue. One-time money got the State into the enormous budget hole we found as I became governor. I'm determined not to leave my successor the fiscal mess that existed when I got here. One-time money should be spent for non-recurring expenditures, such as the new computer system needed by the State Tax Commission.

A critical way to achieve savings, while actually improving effectiveness, is to give department and agency heads maximum

flexibility to streamline and right size their operations. It makes no sense for the legislation to decide how many people work at every state agency, especially when we have to save money. We will continue to deal with the health care costs borne by state tax payers, especially in light of the federal health care bill that will cost Mississippi \$150-200 million a year, if it goes into effect.

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